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*The
Personal
Relation
in
Industry*

BY
JOHN D. ROCKEFELLER, JR.



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*The
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I AM glad to have this opportunity of speaking to you men, numbers of whom will be the future leaders in industry.

Heretofore the Chief Executives of important industrial corporations have been selected largely because of their capacity as organizers or financiers.

The time is rapidly coming however when the important qualification for such positions will be a man's ability to deal successfully and amicably with labor.

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Yet how to do this is a subject which, I fancy, is never taught or referred to in the classroom.

Like knowledge of the problems of sex, than which no department of life is more sacred, vital or deserving of full and ennobling instruction, an understanding of this subject is left to be acquired by experience, often costly or bitter, or through chance information, gleaned too frequently from ignorant and unreliable sources.

Just as the first of these two themes is coming to be taught sympathetically and helpfully in our schools and colleges, so I believe the second, the personal relation in industry, will eventually be regarded as an important part of those college courses which aim to fit men for business life.

After all, is it not the personal relations with one's fellows which, when rightly entered into, bring joy and inspiration into our lives and lead to success, and which, on the other hand, if disregarded or wrongly interpreted, bring equally sorrow and discouragement and lead to failure?

*Getting the best out of life
through—the personal relation .*

Think what the ideal personal relation between a father and son may mean to both. Some of us have known such contact. Our lives have been fuller and richer as a result, freer from sin and sorrow. Others of us know from bitter experience what the absence of this relationship has involved.

How helpful to a student is such a

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friendly association with some professor who commands his confidence, respect and regard, and who is interested in his college work, not for itself alone, but quite as much because of its bearing on his future life's usefulness.

What would college life be without the personal relationships which are formed during its happy days and often continued close and intimate through life?

Can you imagine a successful football team composed of strangers, having no points of contact, no sympathy with each other, no common cause inspiring them to strive for victory? Team play, the support of one player by another, would be well nigh impossible.

Even in the army, where formerly the man who had become the most perfect machine was regarded as the best soldier,

it is coming to be accepted that in addition to being obedient and subject to discipline, the man who thinks, who is capable of acting on his judgment when occasion arises, who is bound to his fellow soldiers and his officers by personal friendliness, admiration and respect, is a far more efficient soldier.

And whereas formerly, particularly in the armies of Europe, privates were not allowed to have any personal association or contact with their officers, we hear that in the present war a spirit of comradeship is developed by the officers with their men off duty, which personal relationship is building up rather than weakening the morale of the armies. What is true as to the relationships which I have mentioned is equally true in industrial relations, and personal contact is as vital

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and as necessary there as in any other department of life.

How industry has grown away from the personal relations between employers and employed

Let us trace briefly the history of the development of industry, that we may see where this personal relationship is present, where absent, and what is the effect of its presence or absence.

Industry in its earliest forms was as simple as it is complex today.

The man who provided the capital was frequently the director, president, general manager and superintendent of the enterprise, and in some instances actually worked with his employes. These latter were few in number. They were usually

born and brought up in the same community with their employer, his companion in school days, his friends and neighbors, often calling him as he did them by their first names.

There was daily contact between employer and employe, and naturally if any questions or causes for complaint arose on either side, they were taken up at the next chance meeting and adjusted.

Next came the partnership, a development necessary because more capital was required than a single individual cared to or was able to provide. Two or more partners were thus associated together, but otherwise the situation was not materially different from that just described, except that more employes were required.

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With the invention of the steam engine and its application to railroads, which quickly began to make their way over the face of the earth; with the development of the steamboat, replacing to so large an extent the old sailing vessels and making possible the regular and frequent transportation of the products of the soil and of industry from one part of the world to another; with the perfecting of the telegraph, cable and telephone, there came the need for larger aggregations of capital in order to carry on the ever expanding industries that were required to keep pace with this growth.

This led to the development of the corporation, the capital for which was supplied in larger or smaller amounts by few or many individuals, thus making possible almost indefinite financial

expansion. And this form of business has continued to grow, as commerce and industry have become not only national but international and world wide in their extent, until we have today the United States Steel Corporation, with its 120,000 stockholders and its 260,000 employes.

It stands to reason that corporations of such magnitude have necessarily become highly specialized.

The responsibility of an individual stockholder in a corporation is of course in proportion to his interest, but the function of the stockholders in general consists in casting their votes each year for the election of directors to represent their interests.

The directors in turn are charged with the general responsibility of developing

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the policies of the corporation, some of which are matured by the officers, of selecting its officers and of seeing to it that the corporation is properly managed.

The officers as the executives of the company carry out the company's policies and are charged with the actual operation of the company and the employment of labor.

As we contrast this gigantic organization with the simple form of industrial organization first described, it is at once apparent that in the very nature of the case the man who supplies the money seldom if ever comes in contact with the man who supplies the labor.

Here we note a marked and serious change. While deplorable, this situation is practically inevitable. Frequently the

industry in which a stockholder has invested his capital is located in a far distant city. Not only this, but often investments are made in corporations which conduct business in other countries almost at the ends of the earth.

As a result of this lack of contact between labor and capital, the personal relationship has disappeared, and gradually a great gulf has grown up between the two, which is ever widening.

It is regrettably true that there are capitalists who regard labor as their legitimate prey, from whom they are justified in getting all they can for as little as may be. It is also true that on the part of labor there has been a growing feeling that it was justified in wresting everything possible from capital.

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So these two great forces have come too often to think that their interests are antagonistic, and have worked against each other, each alone seeking to promote its own selfish ends. This has resulted in the strike, the lockout and the various incidents of industrial warfare so regrettably common in this day and apparently on the increase.

Strikes—and their great cost to labor, to capital and to the public

Reports of the United States Bureau of Labor Statistics show that for the first eleven months of 1916 there were 3,134 strikes and lockouts in the industries of this country, as against only 1,147 for the corresponding period of 1915.

These industrial conflicts have in some instances come to be little short of civil war; vast sums of money have been lost by both sides, untold hardship and misery have followed in their wake.

The New York City street railroad strike of last summer is estimated to have cost the companies some four millions of dollars, not to mention the loss in wages borne by the employes or the losses sustained by the public.

Last summer four hundred thousand railroad men, constituting the four brotherhoods, voted in favor of a strike on 225 American railroads. If the average pay of these men had been only \$2.50 a day, which is considerably lower than the fact, such a strike would have meant a daily loss in wages of a million dollars, not taking into account the far greater loss

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to business and the inevitable inconvenience and distress which would have been brought, directly or indirectly, to the doors of the entire population.

I have not had access to data showing the cost to this country of strikes and lockouts. However, the following quotation from a recent address made by Mr. Frank A. Vanderlip, President of the National City Bank of New York, throws light on the subject. Mr. Vanderlip said:

*“The cost of the recent garment-
“workers’ strike in New York City has
“been estimated to be in the neighborhood
“of fifty million dollars.*

*“The last anthracite coal strike in the
“short course of five months caused a
“loss of one hundred and twenty million
“dollars to employers and employes in
“the community.*

*"I have seen the statement that in a
"single year the losses that could be
"attributed to labor disturbances in this
"country total more than a billion
"dollars."*

These are extraordinary figures, and though some of them are doubtless merely estimates, they serve to show what enormous proportions the industrial problem has assumed and how serious and vital a question it has become.

May I add that almost beyond belief as these figures are, they do not include those terrible mental and moral losses growing out of struggle and conflict, nor do they take account of the depleted bank balances of the workers, and the hunger, suffering and distress which extend into the homes and which touch the lives not only of those immediately concerned, but

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of tens of thousands of innocent women and children.

What I have said leads me to advance two ideas, both of which I believe to be profoundly true, but which have received far too limited consideration.

The first is that labor and capital are naturally partners, not enemies.

The second, that the personal relation in industry, entered into in the right spirit, gives the greatest promise of bridging the yawning chasm which has opened up between employer and employe.

Mistaken points of view due to the absence of the personal relation

The mistaken point of view in regard to the relation between labor and capital

exists on the part of both labor and capital, as well as among the interested and disinterested public.

Too often capital regards labor merely as a commodity to be bought and sold, while labor not infrequently regards capital as money personified in the soulless corporation.

It might seem that technically speaking both of these definitions could be justified, but they are far from being comprehensive and adequate. For both labor and capital are men—men with muscle and men with money. Both are human beings and the industrial problem is a great human problem.

This is one of the first things we need to recognize, and it is just because human nature is involved in this problem that it is so intricate and difficult to solve.

The popular impression that from the very nature of the case labor and capital are two great contending forces arrayed against each other, each striving to gain the upper hand through force, each feeling that it must arm itself in order to secure from the other its rights and its just dues, is even more unfortunate than it is untrue.

I cannot believe that labor and capital are necessarily enemies. I cannot believe that the success of one must depend upon the failure or lack of success of the other. Far from being enemies, these two factors must necessarily be partners.

Surely, their interests are common interests, the permanent well being of neither can be secured unless the other also is considered, nor can either attain the fullest possibilities of development

which lie before both unless they go hand in hand.

Only when the industrial problem is approached from the point of view of a firm belief in this doctrine is there any hope of bringing about closer, more healthful and mutually advantageous relations between these two forces.

*Necessity for contact between
labor and capital*

If, therefore, my first statement is true, namely that labor and capital are partners, then certain things must follow. They must have contact. This standing aloof one from the other must end.

Partners know each other, they rub elbows, sit around the same table, come to understand each other's point of view.

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Respect grows in the heart of each for the other, confidence is developed, and they come to realize that they are working with a common interest for a common result.

But this attitude, this relationship, is the personal relation in industry. Nothing else will take its place, nothing else will bridge the chasm of distrust and hatred.

It is the recognition of the brotherhood of man, of the principle of trying to put yourself in the other man's place, of endeavoring to see things from his point of view. The old saying that honesty is the best policy is often scoffed at and pronounced unpractical, but there never was a truer saying. *Honesty is the best policy.*

You may be able to deceive a man once

or twice, or, if he is exceptionally gullible, half a dozen times, but you cannot deceive him indefinitely. You may be able to deceive a number of people sometimes, but you cannot deceive all of the people with whom you have business dealings all of the time. You may be able to make a contract which gives you an unfair advantage of the other man, but the chances are that you cannot do it twice.

From a purely cold blooded business point of view, honesty *is* the best policy. Likewise do I say that to treat the other man as you would have him treat you is an equally fundamental business principle.

This does not mean that you should surrender your rights or neglect to avail of your opportunities. It simply means that in the game of business, the same

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rules of sportsmanship should prevail as in a boxing bout, in a match at golf, or a football game.

Play fair and observe the rules. Let the contest be clean, gentlemanly, sportsmanlike, a contest always having regard for the rights of the other man.

*How personal relations can
be established in big business*

Assuming, then, that the personal relation is a vital factor in successful industrial life, but recognizing the impossibility in this day of big business of reproducing it as it existed between employer and employe in the early days of industrial development, how can a like result be brought about, how can personal contact be established?

Granting that it is impossible for the stockholders of a great corporation, because of their number, because of their geographic relations, to come into frequent or even semi-occasional contact with their partners, the employes of a company, and that the situation is much the same with the directors, at least it is possible, and must be made increasingly so, for the leading representatives of the stockholders and directors, namely the officers of a corporation, to have such contact with the employes, special officers being appointed for that purpose alone if necessary. Because of the vast numbers of employes in many a company, even this is difficult and altogether too infrequent today.

As the officers of our great corporations come to see more and more that the

problem of understanding their employes and being understood by them is a vital problem, one of the most important with which the management is confronted, they will be convinced not only of the wisdom of devoting far more time to such contact, but of the desirability and the advantage to themselves, and to the employes as well as to the company, of such closer relation and intimate conference in regard to matters of common interest and concern.

If we look into our own experience, we find that the misunderstandings which we have had with other men have been largely the result of lack of contact. We have not seen eye to eye.

Men cannot sit around a table together for a few hours or several days perhaps and talk about matters of com-

mon interest, with points of view however diverse, with whatever of misunderstanding and distrust, without coming to see that after all there is much of good in the worst of us and not so much of bad in most of us as the rest of us have sometimes assumed.

Personal Experiences in Colorado

But someone says, "We grant the desirability of the personal relation in industry. Theoretically we accept your suggestion as to how this theory can be put into practice in the industrial life of today, but practically, will it work?"

I can best answer this question by saying that such a program has been put into operation in a certain coal company

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in Colorado, in which my father and I are interested and of which I am a director.

If you will pardon a personal reference, may I say that when I visited Colorado some eighteen months ago, I had the opportunity of talking personally with hundreds, if not thousands, of the employes of that company. These men and many of the people of Colorado had formed their opinion of anyone bearing the name of Rockefeller from what they had read and heard. Because of certain industrial disturbances which had developed in the state, bitterness and hatred had existed to a high degree.

As I went from camp to camp I talked with the representatives of the men individually and privately, I went into the men's homes, talked with their wives and children, visited their schools, their

places of amusement, their bathhouses, and had just such friendly relations with them as any man going among them would have had.

Frequently I found points of difference between the men and the officers, but in no single instance were the men as I met them other than friendly, frank and perfectly willing to discuss with me, as I was glad to discuss with them, any matters they chose to bring up.

It often occurred that there was justice in the points which they raised and their requests were acted upon favorably by the officers. Also frequently situations were presented in which it was impossible for the company to meet the views of the employes. But never was a subject dismissed until, if unable myself to make the situation clear, the highest officials of

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the company were called in to explain to the employe with the utmost fulness and detail the reasons why the thing suggested was impossible.

No matter presented was left without having been settled in accordance with the request of the employe, or, in the event of that being impossible, without his having been fully convinced that the position of the company was just and right and in the common interest.

This personal contact with the employes of the company led to the establishment of mutual confidence and trust and to the acceptance on their part of the premise that they and we were partners.

The men generally came to see that the man about whom they had heard was very different from the man whom they had met in their homes and at their work.

While they distrusted the former, they believed in the latter. Before I left Colorado, a plan of industrial representation, providing for close personal contact between the duly elected representatives of the men and the officers of the company, was worked out and adopted by a large majority vote of the employees.

I will not take your time to describe this plan, but in substance it aims to provide a means whereby the employes of the company should appoint from their own number as their representatives men who are working side by side with them, to meet as often as may be with the officers of the corporation, sometimes in general assembly, where open discussions are participated in and any matters of mutual interest suggested and discussed; more frequently in committees

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composed of an equal number of employes and officers, which committees deal with every phase of the men's lives—their working and living conditions, their homes, their recreation, their religion and the education and wellbeing of their children.

In brief, the plan embodies an effort to reproduce in so far as is possible the earlier contact between owner and employe.

I do not venture to make any prediction as to the ultimate success of the plan. Two interesting side lights, however, may be mentioned.

The first is that whereas the plan itself and an agreement covering working and living conditions was adopted by the coal miners employed by this company some fifteen months ago, since that time the same plan and agreement, adapted

to the particular requirements of the steel workers, and also of the iron miners employed by the company, has been adopted by both.

The second, while the company has reopened a number of mines formerly idle and is now working quite to the limit of its capacity in the production of coal, it has all the labor at its various mines which it requires, and that too without having made any special effort to attract labor to its recently reopened mining camps.

At the same time, other coal companies in the state of Colorado, as well as generally those throughout the United States, are understood to be having difficulty in securing an adequate supply of labor.

But there is a further reason why the personal relation in industry is of such

vital importance, and that is in order that the attitude and purpose of the owners and directors of a company may be rightly understood by and interpreted to their partners, the employes, and vice versa; also that all grievances may be taken up and adjusted as they arise.

*Side lights on the working of
the Colorado Industrial Plan*

How true it is that when some petty representative of a great corporation makes a sharp trade with a customer, the customer at once says, "Obviously, the president of this corporation is a dishonest and unscrupulous man. It must be that he has directed his agents to pursue these sharp and crooked practices."

However high minded the owners or directors of a company may be, it is of the utmost difficulty to guard against such practices on the part of an occasional representative. But it is obviously just as unfair on such grounds to maintain that the owners and managers are unjust and crooked in their business methods as it would be to say that the whole tree was bad, simply because one apple on it had spots or imperfections.

The employe in any corporation must form his opinion of the owners and directors of the corporation from the petty officer or foreman with whom he has personal contact. Too often these men, not infrequently promoted from the ranks become overbearing and arrogant in their treatment of those under them.

This very naturally is as irritating and

unjust to the employe as it is distressing to the company, and it is at this point in ninety-nine cases out of a hundred where grievances arise.

The Colorado Industrial Plan to which I have referred has been so drawn as to guard against the exercise of arrogance or oppression, by providing various channels through which the employe with a grievance can at once secure a sympathetic and friendly hearing, carrying his difficulty to the president's ear, if necessary.

The foreman who knows that any arbitrary or unjust action on his part may be reviewed by his superior officers is very much more careful in his treatment of his men, always wanting to avoid having his decisions reversed.

If a slight scratch made on the finger

with a rusty nail is immediately cleansed with an antiseptic wash, it heals at once. On the other hand, if the poison which has been introduced is allowed to remain, soon inflammation sets in, the disorder spreads, and serious menace to life may result.

And so it is with the petty grievance. If it is dealt with sympathetically and justly, immediately it is made known, peace, harmony and good will are readily maintained. On the other hand, if indifference is shown and lack of sympathy, the grievance is nursed and from it grows the industrial disorders which later become so acute and difficult to heal.

An ounce of prevention is worth much more than a pound of cure. In no place is this saying truer than in dealing with human nature.

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If I were to sum up in a few words what I have been endeavoring to say to you in regard to the personal relation in industry, I should say, apply the Golden Rule.

Application of the Golden Rule to industry

Every human being responds more quickly to love and sympathy than to the exercise of authority and the display of distrust.

If in the days to come, as you have to do with labor, you will put yourself in the other man's place and govern your actions by what you would wish done to you, were you the employe instead of the employer, the problem of the establishment of the personal relation in in-

dustry will be largely solved, strife and discord as between labor and capital will give place to co-operation and harmony, the interests of both will be greatly furthered, the public will be better served, and through the establishment of industrial peace, a great stride will have been taken toward the establishment of peace among nations.

